



J. TYLER McCAULEY
AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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TO: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Yvonne B. Burke
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley 
Auditor-Controller

SUBJECT: **DEPARTMENT OF CONSUMER AFFAIRS CABLE TELEVISION
FRANCHISE AUDITS**

Under County Code Section 16.64.010, cable television franchisees (cable companies) pay the County a franchise fee based on their gross receipts. The Department of Consumer Affairs (DCA) requested audits of four cable companies serving seven cable television franchise areas to determine whether the cable companies properly reported their gross receipts and paid the correct franchise fees to the County. In April 2001, we contracted with Simpson and Simpson, CPAs, to perform these audits.

Simpson and Simpson issued seven audit reports. The audits indicated that four of the cable television franchise areas had underpaid the County by a total of \$27,977 and two of the cable television franchise areas had overpaid the County by a total of \$14,116, resulting in a net amount due of \$13,861 (see attachment). The auditors also indicated that one of the cable television franchise areas, Adelphia – Rowland Heights, did not provide the documents needed to verify its gross receipts and that additional franchise fees might be due to the County.

Simpson and Simpson discussed the results of these audits with DCA and each cable company. DCA is in the process of determining an alternate method to verify Adelphia – Rowland Heights' gross receipts and the appropriate penalty to assess Adelphia – Rowland Heights for failing to provide the needed documents for the years ended December 31, 1997 through 2001.

"To Enrich Lives Through Effective and Caring Service"

Please call me if you have any questions or would like to review any of the individual reports.

JTM:DR:IDC

Attachment

c: David E. Janssen, Chief Administrative Officer
Department of Consumer Affairs
Pastor Herrera, Jr., Director
Fern Taylor, Chief, Telecommunications Franchising
Raymond G. Fortner, Interim County Counsel
Violet Varona-Lukens, Executive Officer
Public Information Office
Audit Committee

**DEPARTMENT OF CONSUMER AFFAIRS
CABLE TV FRANCHISE AUDITS**

Franchisee	Audit Period	Amount Due to/(Due from) County	
		Franchise	Franchisee
Adelphia			
Acton	1996 - 2000	\$ (1,481)	(1)
East Los Angeles	1996 - 2000	14,413	(2)
Rowland Heights	1997 - 2001	0	(3)
Subtotal (Adelphia)			\$ 12,932
Comcast			
Baldwin Hills	1997 - 2001	(12,635)	(4)
Covina	1997 - 2001	10,025	(4)
Subtotal (Comcast)			(2,610)
Cox Communications – Palos Verdes	1996 - 2000		1,817 (2)
Strategic Technologies – Stevenson Ranch	1996 - 2000		1,722 (2)
Total Due			\$ 13,861 (5)

- (1) The Department of Consumer Affairs (DCA) made a credit to Adelphia – Acton's franchise fees for the following year.
- (2) Cox Communications, Strategic Technologies and Adelphia – East Los Angeles have paid the underpaid franchise fees to the County.
- (3) This amount does not include additional assessments that may be due for failing to provide records supporting advertising revenues, lease receipts, and other income reported for the years ended December 31, 1997, 1998, 1999, 2000, and 2001.
- (4) The Comcast audits were recently completed. The DCA is determining payment and/or collection terms.
- (5) Four of the cable companies (i.e., Adelphia – East Los Angeles, Comcast – Covina, Cox Communications, and Strategic Technologies) had underpaid the County by a total of \$27,977 (\$14,413 + \$10,025 + \$1,817 + \$1,722) and two of the cable companies (i.e., Adelphia – Acton and Comcast – Baldwin Hills) had overpaid the County by a total of \$14,116 (\$1,481 + \$12,635), resulting in a net amount due of \$13,861.